

EXHIBIT A

REGISTRAR OF COMPANIES

TRAFFIC STARS LTD
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018



DIRECTOR

TRAFFIC STARS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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TRAFFIC STARS LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Constantinos Christoforou

Company Secretary: Vintelli Nominee Services Ltd, Cyprus

Independent Auditors: Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
3030 Limassol
Cyprus

Legal Advisers: D. Papachilleos & Co. LLC, Cyprus

Registered Office: Spyrou Kyprianou Avenue, 79
Protopapas Building, 2nd floor, flat 201
3076, Limassol
Cyprus

Bankers: Bank of Cyprus Public Company Ltd, Cyprus
Astro Bank Limited, Cyprus
CIM Banque, Switzerland
Bendura Bank AG, Liechtenstein
Sabadell Bank, Spain
Wirecard Bank AG, Germany

Registration Number: HE 335138

TRAFFIC STARS LTD

MANAGEMENT REPORT

The Board of Directors of Traffic Stars Ltd (the "Company") presents to the members its management report and audited financial statements of the Company for the year ended 31 December 2018.

Incorporation

Traffic Stars Ltd was incorporated in Cyprus on 23 August 2014 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activity and nature of operations of the Company

The principal activity of the Company is the purchasing and selling of web traffic and the holding, development and exploitation of software.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 6.

Dividends

The Board of Directors declared dividends to the shareholders of US\$2,570,000.

Share capital

There were no changes in the authorised and issued share capital of the Company during the year.

Board of Directors

The sole member of the Company's Board of Directors as at 31 December 2018 and at the date of this report is presented on page 1. The sole Director was a member of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association the sole Director presently member of the Board continues in office.

There were no significant changes in the remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 19 to the financial statements.

Independent Auditors

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Constantinos Christoforou
Director

Limassol, 30 March 2020



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Independent Auditor's Report

To the Members of Traffic Stars Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Traffic Stars Ltd (the "Company"), which are presented in pages 6 to 22 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the additional information to the statement of profit or loss, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report (continued)

To the Members of Traffic Stars Ltd (continued)

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent Auditor's Report (continued)

To the Members of Traffic Stars Ltd (continued)

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read "Kyriakos Vlachos".

Kyriakos Vlachos
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
3030 Limassol
Cyprus

Limassol, 30 March 2020

TRAFFIC STARS LTD**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Revenue	6	34,098,586	30,882,935
Direct costs		(29,152,266)	(27,267,084)
Gross profit		4,946,320	3,615,851
Other operating income		14,961	69,240
Selling expenses		(2,264,193)	(1,803,412)
Administration expenses		(1,203,001)	(1,120,388)
Depreciation and amortisation expense		(48,397)	(84,792)
Operating profit	7	1,445,690	676,499
Net finance costs	8	(76,448)	(114,564)
Net foreign exchange (loss)/gain		(143,297)	54,235
Other gains		3,222	-
Profit before income tax		1,229,167	616,170
Income tax	9	(105,488)	(68,639)
Profit for the year		1,123,679	547,531
Other comprehensive income		-	-
Total comprehensive income for the year		1,123,679	547,531

The notes on pages 10 to 22 form an integral part of these financial statements.

TRAFFIC STARS LTD**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018**

	Note	2018 US\$	2017 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	-	13,396
Intangible assets	11	46,722	93,444
Investments in subsidiaries	12	116,443	116,443
Trade and other receivables	13	235,982	235,982
		<u>399,147</u>	<u>459,265</u>
Current assets			
Trade and other receivables	13	1,987,693	1,452,227
Refundable taxes		29,652	43,016
Cash and bank balances	14	4,630,585	8,161,417
		<u>6,647,930</u>	<u>9,656,660</u>
TOTAL ASSETS		<u>7,047,077</u>	<u>10,115,925</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	15	111,421	111,421
Retained earnings		71,430	1,517,751
Total equity		<u>182,851</u>	<u>1,629,172</u>
Non-current liabilities			
Trade and other payables	16	2,241,867	-
		<u>2,241,867</u>	<u>-</u>
Current liabilities			
Trade and other payables	16	2,935,960	6,957,436
Deferred revenue		1,686,399	1,529,317
		<u>4,622,359</u>	<u>8,486,753</u>
TOTAL LIABILITIES		<u>6,864,226</u>	<u>8,486,753</u>
TOTAL EQUITY AND LIABILITIES		<u>7,047,077</u>	<u>10,115,925</u>

On 30 March 2020 the Board of Directors of Traffic Stars Ltd authorised these financial statements for issue.


Constantinos Christoforou
Director

The notes on pages 10 to 22 form an integral part of these financial statements.

TRAFFIC STARS LTD**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2017	111.421	970.220	1.081.641
Profit for the year	-	547.531	547.531
Balance at 1 January 2018	111.421	1.517.751	1.629.172
Profit for the year	-	1.123.679	1.123.679
Dividends	-	(2.570.000)	(2.570.000)
Balance at 31 December 2018	111.421	71.430	182.851

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 10 to 22 form an integral part of these financial statements.

TRAFFIC STARS LTD**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 US\$	2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		1,229,167	616,170
Adjustments for:			
Depreciation of property, plant and equipment	10	1,675	36,288
Amortisation of intangible assets	11	46,722	48,504
Gain on disposal of property, plant and equipment		(3,222)	-
		<u>1,274,342</u>	<u>700,962</u>
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(535,466)	678,653
Decrease in trade and other payables		(1,779,609)	(158,798)
Increase in deferred revenue		157,082	869,361
Cash (used in)/generated from operations		<u>(883,651)</u>	<u>2,090,178</u>
Income tax paid		<u>(92,124)</u>	<u>(69,950)</u>
Net cash (used in)/generated from operating activities		<u>(975,775)</u>	<u>2,020,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to acquire shares upon incorporation of subsidiary companies	12	-	(80)
Proceeds from disposal of intangible assets		-	7,744
Proceeds from disposal of property, plant and equipment		<u>14,943</u>	<u>358,583</u>
Net cash generated from investing activities		<u>14,943</u>	<u>366,247</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(2,570,000)	-
Increase in shareholder's balance		-	117
Net cash (used in)/generated from financing activities		<u>(2,570,000)</u>	<u>117</u>
Net (decrease)/increase in cash and cash equivalents		<u>(3,530,832)</u>	<u>2,386,592</u>
Cash and cash equivalents at beginning of the year		<u>8,161,417</u>	<u>5,774,825</u>
Cash and cash equivalents at end of the year	14	<u>4,630,585</u>	<u>8,161,417</u>

The notes on pages 10 to 22 form an integral part of these financial statements.

TRAFFIC STARS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Incorporation and principal activities

Country of incorporation

Traffic Stars Ltd (the "Company") was incorporated in Cyprus on 23 August 2014 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Spyrou Kyprianou Avenue, 79, Protopapas Building, 2nd floor, flat 201, 3076, Limassol, Cyprus.

Principal activity

The principal activity of the Company is the purchasing and selling of web traffic and the holding, development and exploitation of software.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Company is not required by the Cyprus Companies Law, Cap. 113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2018.

The European Union has concluded that since its 4th Directive requires parent companies to prepare separate financial statements, and since the Cyprus Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the European Union, the provisions of International Accounting Standard 27 "Consolidated and separate financial statements" that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Company, with the exception of IFRS 9.

In accordance with the transition provisions in IFRS 9 and IFRS 15, the Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18, and any impact of adoption should be recognised in the opening retained earnings.

(i) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward looking impairment model for financial assets.

The adoption of IFRS 9 by the Company leads to changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. The Company does not hold financial assets and liabilities that would be impacted in terms of recognition, classification and measurement, other than its bank balances and receivables which are subject to IFRS 9's new expected credit loss model.

TRAFFIC STARS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

Based on the assessment performed by the management, the incremental impairment loss as of 1 January 2018 was insignificant, thus no losses have been recognised in the financial statements.

The Company's new accounting policies following the adoption of IFRS 9 at 1 January 2018 are set out in note 5.1.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer, the transaction price.

Based on an analysis of the Company's revenue streams and individual contracts' terms and on the basis of the facts and circumstances relating to the Company's revenue transactions, it has been assessed that there is no impact on the Company's revenue recognition from the adoption of IFRS 15 "Revenue from Contracts with Customers".

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable provided in the normal course of business, net of discounts and sales related taxes.

Revenue earned by the Company is recognised on the following base:

- **Advertising**

Revenue comprises advertising income received in respect of advertising web space sold to customers. Revenue from the sale of advertising space is recognized from the display of impression based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to people and are recognized when all the following conditions are satisfied:

- i) persuasive evidence of an arrangement exists;
- ii) delivery of the obligations to the customer has occurred;
- iii) the price is fixed or determinable; and
- iv) collectability of the related receivable is reasonably assured.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****4. Significant accounting policies (continued)****Finance income**

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other finance costs are charged to profit or loss as incurred.

Foreign currency translation**(1) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Income tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's directors.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

Leasehold improvements	%
Computer hardware	20
Electrical appliances and office machines	20
Furniture, fixtures and office equipment	20
Motor vehicles	20

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred income

Deferred income represents income receipts which relate to future years.

TRAFFIC STARS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Significant accounting policies (continued)

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL")), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI to be classified at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The financial assets at amortised cost are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. This election is made on an investment-by-investment basis.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****4. Significant accounting policies (continued)****Financial assets - Classification (continued)**

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - Impairment - Credit loss allowance for ECL

The Company assesses on a forward looking basis the expected credit loss ("ECL") for debt instruments measured at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Debt instruments measured at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For all other financial assets that are subject to impairment under IFRS 9, the Company applies the general approach. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 month ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****4. Significant accounting policies (continued)****Financial assets - Impairment - Credit loss allowance for ECL (continued)**

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. If the credit risk of the financial instrument is low at the reporting date, it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition and the expected credit losses are measured at an amount equal to the 12 month ECL.

Refer to note 5, credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - Write-off

Financial assets are written off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write off represents a derecognition event. The Company may write off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial liabilities - Measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares and class A shares are classified as equity.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

TRAFFIC STARS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

5.1 Credit risk

Credit risk refers to the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- receivables from related parties
- bank balances

Receivables (trade receivables, receivables from related parties)

In determining the recoverability of receivables, the Company performs a risk analysis in accordance with the ECL method considering their credit quality, the age of the outstanding amount and any past default experience. The expected credit loss rates applied to the receivables are close to zero, which represent the historical default rates experienced by the Company, adjusted to reflect forward looking information on macroeconomic factors and industry default rates and loss rates affecting the ability of the debtors to settle the receivables. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) for receivables was assessed to be minimal and no loss allowance has been recognized in the financial statements.

Bank balances

The Company's bank balances are US\$4,461,431 (2017: US\$8,160,375).

The Company measures its expected credit loss for its bank balances by reference to the bank's external credit ratings and relevant published default rates. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) for the Company's bank balances was assessed to be minimal and no loss allowance has been recognized in the financial statements.

5.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

5.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

5.4 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****6. Revenue**

	2018 US\$	2017 US\$
Advertising income	<u>34,098,586</u>	<u>30,882,935</u>
	34,098,586	30,882,935

7. Operating profit

	2018 US\$	2017 US\$
Operating profit is stated after charging the following items:		
Amortisation of intangible assets (Note 11)	46,722	48,504
Depreciation of property, plant and equipment (Note 10)	1,675	36,288
Salaries and other benefits	141,286	149,948
Auditor's remuneration	<u>44,253</u>	<u>46,173</u>

8. Net finance costs

	2018 US\$	2017 US\$
Bank interest	-	21
Finance income	<u>-</u>	<u>21</u>
Bank charges	(76,448)	(114,585)
Finance costs	<u>(76,448)</u>	<u>(114,585)</u>
Net finance costs	<u>(76,448)</u>	<u>(114,564)</u>

9. Income tax

	2018 US\$	2017 US\$
Corporation tax	<u>105,488</u>	<u>68,639</u>
Charge for the year	<u>105,488</u>	<u>68,639</u>

The total charge for the year can be reconciled to the accounting profit as follows:

	2018 US\$	2017 US\$
Profit before income tax	<u>1,229,167</u>	<u>616,170</u>
Income tax calculated at the applicable tax rates	153,646	77,021
Tax effect of expenses not deductible for income tax purposes	27,937	12,744
Tax effect of allowances and income not subject to income tax	(76,782)	(17,434)
Effect on tax charge due to exchange difference	<u>687</u>	<u>(3,692)</u>
Tax charge	<u>105,488</u>	<u>68,639</u>

The Company is subject to corporation tax on taxable profits at the rate of 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****10. Property, plant and equipment**

	Leasehold improvements	Motor vehicles	Computer hardware	Furniture, fixtures and office equipment	Electrical appliances and office machines	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Cost						
Balance at 1 January 2017	323.990	33.493	144.860	108.454	14.469	625.266
Disposals	(323.990)	-	(144.860)	(108.454)	(14.469)	(591.773)
Balance at 1 January 2018	-	33.493	-	-	-	33.493
Disposals	-	(33.493)	-	-	-	(33.493)
Balance at 31 December 2018	-	-	-	-	-	-
Depreciation						
Balance at 1 January 2017	125.506	13.398	57.028	18.352	2.716	217.000
Charge for the year	16.200	6.699	7.243	5.423	723	36.288
Disposals	(141.706)	-	(64.271)	(23.775)	(3.439)	(233.191)
Balance at 1 January 2018	-	20.097	-	-	-	20.097
Charge for the year	-	1.675	-	-	-	1.675
Disposals	-	(21.772)	-	-	-	(21.772)
Balance at 31 December 2018	-	-	-	-	-	-
Net book amount						
Balance at 31 December 2018	-	-	-	-	-	-
Balance at 31 December 2017	-	13.396	-	-	-	13.396

In 2017, all the property, plant and equipment apart from the motor vehicles have been disposed of to a related party connected with the ultimate controlling party for a consideration equal to the net book value of the property, plant and equipment. In 2018, the motor vehicles have been disposed to a related party connected with the ultimate controlling party.

11. Intangible assets

	Computer software US\$	Software development US\$	Total US\$
Cost			
Balance at 1 January 2017	21.381	233.610	254.991
Disposals	(21.381)	-	(21.381)
Balance at 1 January 2018	-	233.610	233.610
Balance at 31 December 2018	-	233.610	233.610
Amortisation			
Balance at 1 January 2017	11.855	93.444	105.299
Disposals	(13.637)	-	(13.637)
Charge for the year	1.782	46.722	48.504
Balance at 1 January 2018	-	140.166	140.166
Charge for the year	-	46.722	46.722
Balance at 31 December 2018	-	186.888	186.888
Net book amount			
Balance at 31 December 2018	-	46.722	46.722
Balance at 31 December 2017	-	93.444	93.444

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****11. Intangible assets (continued)**

The capitalized software development relates to the Company's development expenditure incurred under the terms of a software development contract entered into with a non related party on 17 September 2014. In 2015, the development of the software was completed and the software was delivered to the Company in July 2015. The software is amortised on a straight line basis over a period of 5 years.

12. Investments in subsidiaries

	2018 US\$	2017 US\$
Balance at 1 January	116.443	116.363
Acquisitions	-	80
Balance at 31 December	116.443	116.443

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2018 Holding %	2017 Holding %
Traffic Stars Spain SL	Spain	Sales and marketing services	100	100
Traffic Stars Inc.	Canada	Sales and marketing services	100	100

13. Trade and other receivables

	2018 US\$	2017 US\$
Trade receivables	739.610	1.013.548
Receivables from related parties (Note 17.3)	1.147.181	356.705
Shareholders' balances (Note 17.5)	-	217.990
Deposits and prepayments	18.254	3.370
Pledged cash (i)	12.046	16.059
Blocked funds (Note 14 (i))	246.789	-
Refundable VAT	59.795	80.537
	2.223.675	1.688.209
Less non-current receivables	(235.982)	(235.982)
Current portion	1.987.693	1.452.227

(i) Pledged cash relates to letters of guarantee deposited with the Immigration Authorities of Cyprus as security for travel expenses in case of possible repatriation of the Company's foreign employees.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 5 of the financial statements.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****14. Cash and bank balances**

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

Cash balances are analysed as follows:

	2018	2017
	US\$	US\$
Cash in hand	1.042	1.042
Cash at bank	4.461.431	8.160.375
Cash held by online payment processing companies (i)	168.112	-
	4.630.585	8.161.417

(i) Cash held by online payment processing companies represent cash held by companies, acting as collection and payment processing agents ("agents"), on behalf of the Company. The cash held by the agents is usually released to the Company's bank account, a few days after the billing cycle and as per the relevant agreements. A cash balance of US\$246.789 represents blocked funds (reserves), held as a security in the event of refunds and chargebacks, and is released to the Company's bank account usually after 3-6 months from the end of the billing cycle and as per the relevant agreements. Blocked funds are recognised as other receivables.

15. Share capital

	2018	2018	2017	2017
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1 each	100.000	100.000	100.000	100.000
Class A shares	1.000	1.000	1.000	1.000
	101.000	101.000	101.000	101.000
		US\$		US\$
Issued and fully paid				
Balance at 1 January	101.000	111.421	101.000	111.421
Balance at 31 December	101.000	111.421	101.000	111.421

16. Trade and other payables

	2018	2017
	US\$	US\$
Trade payables	399.739	998.557
Shareholders' balances (Note 17.6)	2.241.867	117
Other payables and accruals	100.716	51.881
Payables to related parties (Note 17.4)	2.435.505	5.906.881
	5.177.827	6.957.436
Less non-current payables	(2.241.867)	-
Current portion	2.935.960	6.957.436

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Related party balances and transactions

The Company is controlled by Wisebits Ltd, incorporated in Cyprus, which owns 99% of the Company's shares.

TRAFFIC STARS LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****17. Related party balances and transactions (continued)**

The related party balances and transactions are as follows:

17.1 Sales of services

	<u>Nature of transactions</u>	2018 US\$	2017 US\$
Related party connected with the ultimate controlling party	Recharge of expenses	-	69,240
		<u>-</u>	<u>69,240</u>

17.2 Purchases of services

	<u>Nature of transactions</u>	2018 US\$	2017 US\$
Subsidiary of parent	Royalties	20,049,752	19,356,701
Related party connected with the ultimate controlling party	Recharge of expenses	693,946	574,402
Subsidiary companies	Advertising and promotion	2,187,072	1,572,393
		<u>22,930,770</u>	<u>21,503,496</u>

17.3 Receivables from related parties (Note 13)

<u>Name</u>	<u>Nature of transactions</u>	2018 US\$	2017 US\$
Related parties connected with the ultimate controlling party	Trade	242,329	5,740
Subsidiary company	Trade	-	114,983
Subsidiary company	Non-trade	897,235	235,982
Related parties connected with the ultimate controlling party	Non-trade	7,617	-
		<u>1,147,181</u>	<u>356,705</u>

17.4 Payables to related parties (Note 16)

<u>Name</u>	<u>Nature of transactions</u>	2018 US\$	2017 US\$
Related party connected with the ultimate controlling party	Trade	47,479	85,526
Subsidiary of parent	Trade	2,388,026	5,821,355
		<u>2,435,505</u>	<u>5,906,881</u>

17.5 Shareholders' balances - debit balances (Note 13)

	2018 US\$	2017 US\$
Shareholders' balances	-	217,990
	<u>-</u>	<u>217,990</u>

The shareholders' balances are interest free and have no specified repayment date.

17.6 Shareholders' balances - credit balances (Note 16)

	2018 US\$	2017 US\$
Shareholders' balances	2,241,867	117
	<u>2,241,867</u>	<u>117</u>

The shareholders' balances are interest free and are repayable in accordance with the funds availability of the Company.

18. Commitments

The Company had no capital or other commitments as at 31 December 2018.

TRAFFIC STARS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****19. Events after the reporting period**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 to 5

TRAFFIC STARS LTD**DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Page	2018 US\$	2017 US\$
Advertising income		34,098,586	30,882,935
Direct costs	24	(29,152,266)	(27,267,084)
Gross profit		4,946,320	3,615,851
Other operating income		14,961	69,240
		4,961,281	3,685,091
Administration expenses	25	(1,203,001)	(1,120,388)
Selling expenses	25	(2,264,193)	(1,803,412)
		1,494,087	761,291
Depreciation and amortisation expense		(48,397)	(84,792)
Operating profit		1,445,690	676,499
Net finance costs	26	(76,448)	(114,564)
Net foreign exchange (loss)/gain		(143,297)	54,235
Other gains		3,222	-
Profit for the year before income tax		1,229,167	616,170

TRAFFIC STARS LTD**DIRECT COSTS**
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US\$	2017 US\$
Direct costs		
Hosting expenses	427.386	212.341
Royalty fees	20.049.752	19.356.701
Publishers fees	8.675.128	7.698.042
	<u>29.152.266</u>	<u>27.267.084</u>

TRAFFIC STARS LTD**ADMINISTRATION AND SELLING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 US\$	2017 US\$
Administration expenses		
Salaries and other benefits	141.286	149.948
Recharge of expenses	693.946	574.402
Cleaning expenses	1.679	-
Annual levy	407	380
Electricity	4.374	19.065
Water supply	102	-
Insurance	159	-
Repairs and maintenance	1.466	-
Telephone and postage	4.049	-
Subscriptions	169.157	107.255
Office groceries	6.678	-
Auditor's remuneration	44.253	46.173
Legal fees	13.634	25.276
Professional fees	36.766	56.092
Revenue stamps	-	143
Fines	108	-
Travelling	13.907	5.939
Other administration expenses	27.089	135.442
Other employee costs	43.941	273
	<u>1.203.001</u>	<u>1.120.388</u>
	2018 US\$	2017 US\$
Selling expenses		
Advertising and promotion	2.241.297	1.683.412
Consultancy fees	22.896	120.000
	<u>2.264.193</u>	<u>1.803.412</u>

TRAFFIC STARS LTD**FINANCE INCOME/COSTS**
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US\$	2017 US\$
Finance income		
Interest income	-	21
	<u>-</u>	<u>21</u>
Finance costs		
Bank charges	76,448	114,585
	<u>76,448</u>	<u>114,585</u>
Net finance costs	<u>76,448</u>	<u>114,564</u>

TRAFFIC STARS LTD**COMPUTATION OF CORPORATION TAX
FOR THE YEAR ENDED 31 DECEMBER 2018**

Net profit per income statement	Page 23	US\$	US\$
<u>Add:</u>			1.229,167
Amortisation of intangible assets		46.722	
Depreciation		1.675	
Entertaining expenses		7.577	
Foreign Exchange Loss (Non FX Trading)		143.297	
Annual levy		407	
Penalties and Fines		108	
Interest imposed under the arm length principles		<u>23.713</u>	
			<u>223.499</u>
			1.452.666
<u>Less:</u>			
Capital allowances		46.722	
Profit from disposal of fixed assets		3.222	
80% of the profit from the exploitation of intangible assets		558.939	
Notional Interest Deduction		<u>5.374</u>	
			<u>(614.257)</u>
Chargeable income for the year			838.409
Converted into € at US\$ 1,143790 = €1			€
			<u>733.010</u>
Calculation of corporation tax	Income	Rate	Total
	€	%	€ c
Income tax at normal rates:			
Chargeable income as above	<u>733.010</u>	12,50	91.626,25
Income tax paid provisionally	<u>640.000</u>		<u>(80.000,00)</u>
TAX PAYABLE			<u>11.626,25</u>

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